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UNCLAS SECTION 01 OF 04 NAIROBI 000521

SIPDIS

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SENSITIVE

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TAGS: ECON EAGR ETRD ELAB PGOV KE
SUBJECT: BEEF, BREAD, AND BUTTER GETTING SCARCER AND PRICIER IN KENYA AS A RESULT OF POST-ELECTION VIOLENCE

REFS: (A) NAIROBI 0405 (B) NAIROBI 0358
(C) NAIROBI 0353 (D) NAIROBI 0352 (NOTAL)
(E) NAIROBI 0336 (F) NAIROBI 0192

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¶1. (U) Summary. Agricultural analysts predict that Kenya may suffer food shortages by late 2008 if post-election violence does not stop. Government stockpiles of corn will suffice for the next seven months, but observers note that many farmers in the upper Rift Valley have been unable to work their fields ahead of the late rains, which usually begin in mid-March. Other farmers are unable to purchase higher priced fertilizers, herbicides, insecticides, and diesel fuel. Consumers are confronted with higher prices for virtually everything off the farm. End Summary.

¶2. (SBU) Adding to the woes cited in ref D, Kenyan agriculture is now faced with a bushel of problems making beef, bread, butter - virtually everything off the farm - less available and more expensive. Illegal roadblocks set up by militant gangs continue to disrupt transportation, thus hindering movement of people, agricultural inputs, and farm products. The roadblocks also add to the expense of bringing product to market as transport companies have had to hire extra security. The new director of the Kenya Meat Commission (KMC), Vincent Nguarare, confided January 28 that the agency's abattoir outside Nairobi is slaughtering only 200 animals a day (in comparison to a normal number of 500 per day) because

pastoralists either cannot get cattle to the KMC or find the transportation costs prohibitive. According to the Livestock Marketing Society of Kenya (LTMSK), ranchers, pastoralists, and traders are suffering a daily loss of about KSh20 million ($285,700).

"Foreign" Farmers Flee Their Farms

¶3. (U) More ominously, inter-ethnic violence triggered by the disputed December 27 presidential election drove many Kikuyu farmers and their families off their land in the upper Rift Valley, which is Kenya's breadbasket and the epicenter of the crisis. Marauders wantonly burned Kikuyu homes, farm equipment, and corn and wheat crops. Kikuyus, many of whom had lived in the region since independence, were derided as "foreigners" and told to return to their ancestral lands in Central Province - or else. Indigenous Kalenjin farmers and dairymen also suffered and are now confronted with markedly increased prices for diesel, fertilizer, herbicides, and insecticides. The cost of land preparation by tractors has skyrocketed from $53/hectare to $103/hectare. General insecurity is making farmers leery of working their fields or letting their harvested corn dry out. Upwards to one million bags (90,000 tons) of corn are believed to be left on fields, inaccessible to farmers, buyers, and millers. Another 300,000 tons of corn ready for harvesting went unpicked.

Corn Crop Collapse

¶4. (U) Agricultural analysts and the Kenya National Federation of Agricultural Producers (KENFAP), an umbrella organization for 1.4 million farmers, are concerned that Kenya may suffer a food shortage

in 2009. Supply, particularly from Western Province, where an estimated 40% of farmers have been displaced, has been interrupted, resulting in shortages and spiraling prices for milk, maize flour, and vegetables. Because so many farmers have fled, observers predict a significant shortfall in this year's corn harvest. In their estimation, government stockpiles of maize held by the National Cereals and Produce Board (NCPB) and expected 2007-2008 production of three million tons are sufficient to meet domestic demand for much of 2008 - at least for the next seven months. But they worry that the insecurity will prevent farmers from planting before the long rains which usually begin in mid-March (ref D), a scenario which would imperil food security for many Kenyans in 2009. Because of the instability, 100,000 hectares might not be cultivated before the rains begin.

¶5. (U) According to the most recent "Kenya Food Security Update," Kenyan maize production will likely decline by 15% in 2008-2009 because of the unrest and below average rainfall in some areas of Kenya. The Regional Agricultural Trade and Intelligence Network (RATIN) predicts Kenya will become a net importer of maize in 2009. The most recent survey by the Food and Agricultural Organization (FAO) shows that prices of cereals such as maize have been increasing mainly due to inadequate rains and displacement of farmers in key growing areas of Kenya following the recent violence. The survey reported that the price of a ton of maize maintained a relatively stable price between $199 and $202 within the period of May to September 2007 but began to rise gradually between October-December to an average of $211. There was a further rise to $219 a ton in January.

Bleak Food Security Situation

¶6. (SBU) Analysts with USAID's "Famine Early Warning System Information Network" (FEWS NET) and the "Arid Lands Resource Management Project" (ALRMP) during a February 12 Kenya Food Security Meeting reported a "bleak food security situation throughout the country," especially in the Maasai rangelands. Only the eastern

pastoralists' area is in good shape. Conversely, there is evidence of high malnutrition in the northwest pastoralists' area. In what was their most worrisome appraisal, the analysts estimate that less than 10% of the land in Kenya's grain basket, the Rift Valley, has been prepared for planting. By now, 60% of the land would have normally been tilled. With respect to conditions in northern and northeastern Kenya, they blame severe water shortages for rapid loss of pasture. In the coastal and southeastern lowlands, they calculate that 60% of the maize crop has been lost with food insecurity exacerbated by rising food and commodities prices. In the Lake Victoria city of Kisumu, where the worst looting and destruction took place and where roads remain barricaded, prices for eggs, potatoes, onions, and other staple foods have doubled or even tripled since the election.

Dairy in the Dumps

¶7. (SBU) Dairy farmers, too, have suffered. Last winter, Kenya's dairy industry appeared on the verge of becoming a significant foreign exchange earner, with prospects of lucrative sales of powdered milk and other dairy products to South Africa, Egypt, the Arab Gulf states, and Malaysia in the offing. In 2007 Kenya

exported 13.9 million liters of milk, mostly to neighboring Uganda and Tanzania. Now, officials from Land O'Lakes, Brookside Dairy, Spin Knit Dairy, New Kenya Cooperative Creameries (KCC), and other milk producers bemoan the loss of Rift Valley dairy farms and creameries, destroyed by looters.

¶8. (SBU) As a result of their mayhem and thievery, milk production is down over 20%, according to the Kenya Dairy Board (KDB). A January 21-24 assessment conducted by the World Food Program (WFP), Food and Agriculture Organization (FAO), and Ministry of Agriculture suggested as many as 52,500 farm families in the Rift Valley have been displaced. Two major milk processors have closed. Unable to get their raw milk processed, farmers have had to dump milk. The industry lost an estimated KSh1 billion ($14.3 million) in January 2008, when production fell from 36.4 million liters in December 2007 to 28.4 million liters. KCC Chairman Matu Wamae reports his company faces a deficit of over 200,000 liters per day and is unable to meet both local and international demand. Kipkorir Menjo, one of the KCC directors, acknowledged February 13 that low milk deliveries "threaten the future of external markets for our products." (Note: according to the KDB, Kenya has 34 active milk processing plants with an installed processing capacity of 2.9 million liters per day. Annual production in 2007 was 3.74 billion liters, up from 3.59 billion liters in 2006 and 2.8 billion liters in 2004. Because of the violence, the daily milk intake in the formal sector has shrunk from 1.2 million liters in December 2007 to 850,000 liters in January 2008, a drop of over 29%, amounting to a loss of over KSh1 billion ($14.3 million) in revenue for processors. There are an estimated one million smallholder dairy farmers in Kenya. The dairy cattle industry accounts for about 4% of GDP, with an estimated cattle population of 3.5 million head. End Note.)

¶9. (SBU) Wamae said that the KCC has appealed to the government to beef up security because "transporters still fear that their vehicles might be attacked and burned." Beyond the hardships raised by the illegal roadblocks which prevent milk producers from delivering to creameries, KDB Chairman Reuben Cheshire commented to the press in early February that the violence had even interfered with breeding programs and access to animal feeds, which could result in a long-term decline of milk production. He said protracted violence would jeopardize the livelihoods of close to one million dairy farmers. Even if a political resolution is soon achieved, an official with Land O'Lakes foresees a long-term reduction in milk production because of the number of dairy cattle stolen or slaughtered and because of disruptions in the provision of artificial insemination services. Wamae openly lamented the likelihood that most farmers will default on their loans since they are unable to deliver their milk. If calm is not soon restored, he predicted dairy farmers may elect to start slaughtering their cattle to raise money.

All Agricultural Sub-sectors Affected

¶10. (SBU) In mid-February, KENFAP declared that Kenya's food security is set to worsen. Fifty-seven members from various agricultural sub-sectors from the country's eight provinces warned in an advertisement that food prices are soaring because of the political impasse. Expressing their concerns according to regions, the agricultural reps said Nairobi is experiencing spiraling milk, maize flour and vegetable prices, which have increased 50% to 100%. Those from Western Province complained about the displacement of

about 40% of farmers from their farms and the burning of food in stores. Nyanza Province's major problem, they said, remains blocked roads and destroyed bridges, leaving it cut off from the rest of the country. In Rift Valley Province, farmers are faced with high costs in production inputs. Coast Province is dealing with hotel closures and the lack of horticultural produce due to supply interruptions. Eastern and Northeastern Provinces are confronted with decreasing food stocks; there are fears that the two provinces might not receive enough rainfall, threatening the fragile food security which characterizes both. Livestock marketing has been hampered by insecurity and high transportation costs.

¶11. (U) Comment. As the country's staple food, maize is a telling barometer for food security and affordability. Before the crisis, a two-kilogram bag of milled maize flour cost KSh50. In Nairobi, it now goes for KSh80 - nearly $1.15; in Kisumu and other western cities it costs KSh120 or $1.70. A 500-gram packet of milk has jumped from KSh15 to KSh40 in western Kenya. When one contemplates that nearly 50% of the Kenyan people live on less than $1/day (KSh70), it is abundantly clear that putting bread and butter on the table will be increasingly difficult for most Kenyans. End Comment.

Ranneberger